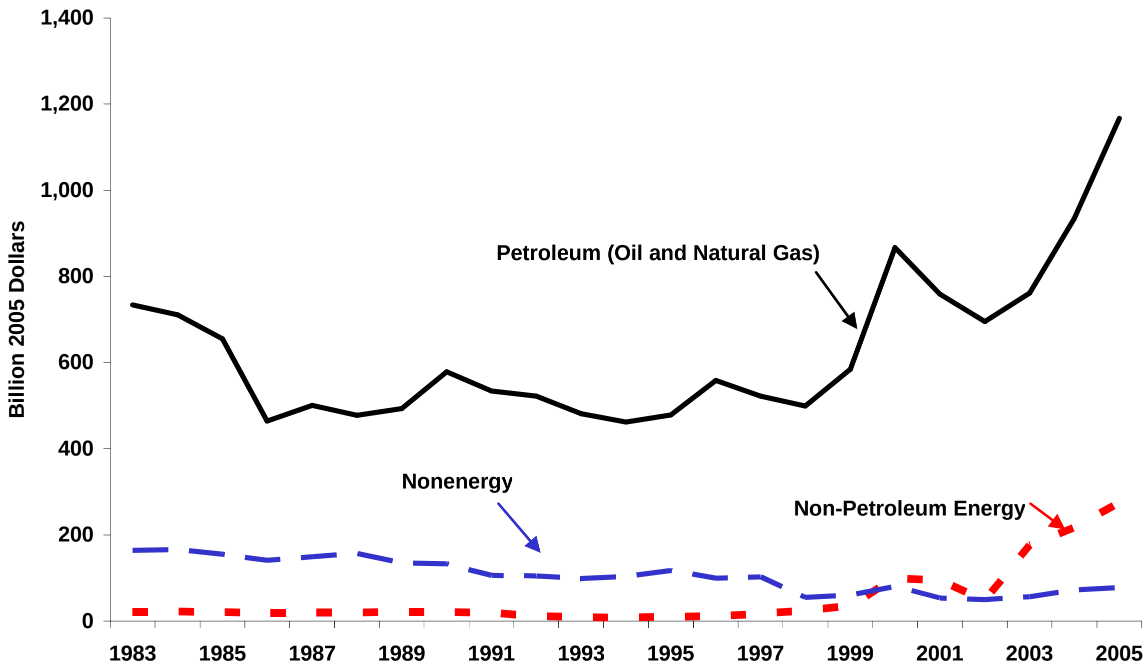
The FRS Companies' Importance in the U.S. Economy

For the 2005 reporting year, 29 major energy companies reported their financial and operating data to the Energy Information Administration's (EIA) Financial Reporting System (FRS) on Form EIA-28.[90] These companies (referred to as the FRS companies in this report) occupy a significant position in the U.S.[91] economy. In 2005, operating revenues of the FRS companies totaled $1,334 billion, which is equal to 15 percent of the $9.1 trillion in revenues of the Fortune 500 corporations.[92]

The reporting companies engage in a wide range of business activities, but their most important activities are in the energy sector. About 95 percent, or $1,442 billion, of allocated operating revenues[93] were derived from energy lines of business. Nearly all of these revenues were derived from the companies' core petroleum operations (**Figure 31**). (For the purposes of this report, the petroleum line of business

Figure 31. Operating Revenues by Line of Business for FRS Companies, 1983-2005



Source: Energy Information Administration, Form EIA-28 (Financial Reporting System).

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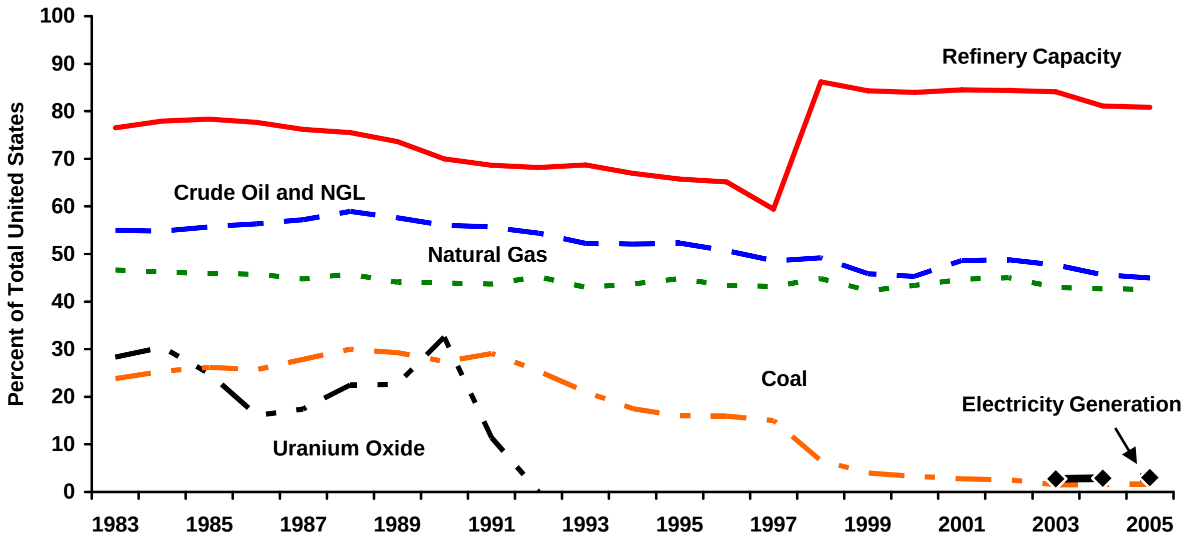
[90] Aggregate time series data from Form EIA-28 for 1977 through 2005 and previous editions of this report can be obtained from the EIA (see http://www.eia.doe.gov/emeu/finance/page2.html).
[91] For the purposes of this report, the term "United States" typically includes the 50 states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands.
[92] The Fortune 500 is a list of the 500 largest U.S. corporations, ranked by revenues, published annually by Fortune magazine (see http://money.cnn.com/magazines/fortune/fortune500/full_list/ (as of October 17, 2006)).
[93] The sum of allocated operating revenue ($1,521 billion) exceeds corporate operating revenue ($1,334 billion) because allocated revenues include revenues from sales within the company and between different lines of business, in addition to the revenue from sales by the company to third parties (i.e., those outside the company). However, the revenue from inter-segment sales are eliminated in calculating corporate operating revenue, which only includes sales by the company to third parties.

includes natural gas exploration, development, and production, but not downstream natural gas, which became a separate FRS line of business beginning with the 2003 reporting year, as did electric power.[94])

In 2005, the FRS companies accounted for 45 percent of total U.S. crude oil and NGL production,[95] 43 percent of natural gas production, 81 percent of U.S. refining capacity, 3 percent of U.S. electricity generation, and 2 percent of U.S. coal production (**Figure 32**). About 79 percent of the FRS companies' assets and 82 percent of new investments during 2005 were devoted to sustaining various aspects of petroleum production, processing, transportation, and marketing.

Figure 32. Shares of U.S. Energy Production[a] and Refinery Capacity for FRS Companies, 1983-2005



[a]Oil and gas production for the FRS companies includes only the production that is owned by the FRS companies; it does not include any interests not owned by the FRS companies (e.g., royalty interests owned by others). Total production for the United States includes the interests of all owners.

Note: The FRS companies last produced uranium in 1991.

Sources: Table B1; Total industry uranium oxide production is from Energy Information Administration, *Uranium Industry Annual 1992,* DOE/EIA-0478(92) (Washington, DC, October 1993).

Energy production other than oil and natural gas has been a relatively small, but growing, part of the FRS companies' operations since 1994. During 2005, the combined operating revenues of the downstream natural gas, electricity, and other energy operations[96] of the FRS companies totaled $275 billion, or 18 percent of allocated revenues. Increased activity in downstream natural gas and electricity more than

[94] Generally accepted accounting principles (GAAP) for the United States do not require that energy companies separately account for costs of oil production and natural gas production in company financial records. Various exploration and development costs cannot easily or separately be assigned to either oil production or natural gas production.

[95] Note that U.S. totals include royalty production, while the FRS companies' production levels do not. Thus, the FRS companies' share of crude oil and NGL production and natural gas production are somewhat understated by these calculations.

[96] Beginning with the 2003-reporting year, "Other energy" operations include coal operations. Prior to 2003, coal was a separate line of business. Financial information for coal operations has been merged with that of the alternate energy operations, although the operating information related to coal continues to be collected.

offset the continued decline in coal activity by the FRS companies, which began in 1994 and essentially continues to the present.[97] The growing importance of downstream natural gas and electric power operations to the FRS companies resulted in the addition of each as a separate line of business beginning with the 2003 reporting year.

Nonenergy businesses, mainly chemicals, accounted for 5 percent, or $78 billion, of the FRS companies' allocated revenues in 2003. During the 1980s, the FRS companies were major producers of domestic uranium. However, no FRS company has produced uranium oxide domestically since 1991.

[97] In particular the FRS companies accounted for 29 percent of U.S. coal production in 1991, 15 percent in 1997, 7 percent in 1998, 2.5 percent in 2002, and 1.6 percent for each of the past 3 years. These declines were due largely to the lack of profitability attributable to the coal operations of the FRS companies compared to other FRS operations, averaging a 4-percent annual return over the period 1977–2002. Beginning in 2003 profitability for coal operations alone can no longer be calculated due to changes in Form EIA-28.